<1223> Additional charges for toll calls, and rates for each such plan.	<1222> Details on the number of minutes provided as part of the plan,	<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:	<1220> Link to Public Website		<1210> Terms & Conditions of Voice Telephony Lifeline Plans		<039> Contact Email Address - Email Address of person identified in data line <030>	<035> Contact Telephone Number - Number of person identified in data line <030>	<030> Contact Name - Person USAC should contact regarding this data	<020> Program Year	<015> Study Area Name	<010> Study Area Code	(1200) Terms and Condition for Lifeline Customers Lifeline Data Collection Form
				НТТР	Name of attached document (.pdf)	391660SD1210		ine <030> maaberg@hcinet.net	ne <030> 320-847-7109	Mark Aaberg	2014	MT. RUSHMORB TEL. CO.	391660	ECC. Form 481  OMB control No. 3050-0986/OMB control No. 3050-0819 July 2013

# Received & Inspected

	Name of Attached Document Listing Required Information	1> Interim Progress Community Anchor Institutions	<2021>
-			<2020>
			<2019>
			<2018>
	]		<2017>
		Connect America Phase II Reporting (47 CFR § 54.313(e))	
		.6> Certification Support Used to Build Broadband	<2016>
		Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))	
		(5> 2016 and future Frozen Support Certification	<2015>
		2015 Frozen Support Certification	<2014>
			<2013>
			<2012>
-		Price Ca	
		11> 3rd Year Certification {47 CFR § 54.313(b)(2)}	<2011>
		10> 2nd Year Certification (47 CFR § 54.313(b)(1))	<2010>
		Incremental Connect America Phase I reporting	
America Phase II	CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.	TK the boxes below to note compliance as a recipient of incremental Connect America Phassure as set forth in 47 CFR § 54.313(b),(c),(d),(e) the in	CHECK
	maaberg@hcinet.net	Contact Email Address - Email Address of person identified in data line <030>	<039>
	1-7109	S> Contact Telephone Number - Number of person identified in data line <030> 320-847-7109	<035>
	9	1	<030>
			<020>
	RE TEL. CO.	LS> Study Area Name MT. RUSHMORE TEL.	<015>
Room	FCC Mail Room	ID> Study Area Code 391660	<010>
Audio Novabac 0819	But control and the selection of the control and the contro	Data Collection Form:  If  Including Nate-of-Return Cartiers affiliated with Pifice Cap Local Exchange Carriers	Data o Includi
		(2000) Price Cap Carrier Additional Documentation	(2000)

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(3026)	(3025)	(3024)	(5023)	lecoe)	(3022)		(3021)	(3019)		(3017) (3018)	(3016)	(3015)	(3012) (3013) (3014)	(3011)	(3010)	CHECK		<039>	<035>	<030>	<0.205	<010>	•	(3000) # Data Co	100
Attach the worksheet listing required information	PDF of Balance Sheet, Income Statement and Statement of Cash Flows	Underlying information subjected to an officer certification.	public accountant	Borrowers, Underlying information subjected to a review by an independent certified	contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications	If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313( $\eta(2)$ ).	Management letter issued by the independent certified public accountant that performed the company's financial audit.	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications PDF of Balance Sheet, Income Statement and Statement of Cash Flows	If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:	If the response is we so il line 3014, attach your company's RUS annual report and all required documentation If the response is no on line 3014, is your company audited?	PDF of Balance Sheet, Income Statement and Statement of Cash Flows	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	Community Anchor institutions (47 CFR § 54.313(f)(1)(i)) is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) if yes, does your company file the RUS annual report. Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:	contains the required information pursuant to § 5.4.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF , on line 3012,	CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial report CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.  Progress Report on 5 Year Plan	- E	1	Contact Telephone Number - Number of person identified in data line <030>		Program Year 201	Study Area Code		3000) Rate Of Return Carrier Additional Documentation uses Collection Form	
Name of Attached Document Listing Required Information										Name of Attached Document Listing Required Information			Name of Attached Document Listing Required Information		Name of Attached Document Listing Required Information	its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the I CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.	IIIOGUNG AMARAN AMA	maaberg@hcinet.net	320-847-7109	k Aaberg	RUSHMORE TEL. CO.				
391660SD3026		I	) [							<b>√</b> [Yes/No]			(Yes/No) (Yes/No)			compliance with the financial reporting requirements set forth in 47 hed below is accurate.								CCCPORTAGIA Chies Control (6, 2000-2006) Chies Control (6, 2000-2015) Uni 2015	A LONG TO A LONG

# Received & Inspected

page 12

OCT 24 2013

Date

Date 10/10/2013		RATIFIED ONLINE	f Authorized Officer: CE	ature o
		SHMORE TEL. CO.	porting Carrier: MT, RU	e of Re
al reporting requirements for universal service support curate.	de ensuring the accuracy of the annus als form and in any attachments is acc	sorting carrier; my responsibilities inclu Wiedge, the information reported on ti	it I am an officer of the rep and, to the best of my kno	ify tha
stneigiba LI or CAF or LI Recipients				
REPORTING ON 175 OWN BEHALF:	JAUNNA ONIJIT CI NAMAD OM	ביייים כאומוניים או זו דוב מברטעו		
	AATHERA SIGNIES SI GENERAL SIA	TOO STING CARRIER IS THE BEDODE	MPLETED BY THE REP	E CO
	line <030> maaberg@hcinet.net	nail Address of person identified in date	Contact Email Address - Er	<68
		er - Number of person identified in data mail Address of person identified in data		
			Contact Telephone Number	<\$8
	line <030> 320-847-7109	er - Number of person identified in data	Contact Name - Person US	<\$8 <08
	line <030> 320-847-7109	SAC should contact regarding this data er - Number of person identified in data	Program Year Contact Mame - Person US Contact Telephone Numbe	<69 <58 <08 <07
	line <030> 320-847-7109	910 Sasb sidi griibisgat regarding idna Sata Sasb ri bailitabii noeraq to nadmud - 1	Study Area Code Study Area Name Program Year Contact Name - Person US Contact Telephone Number	<98 <08 <07

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Study Area Code of Reporting Carrier:

Telephone number of Authorized Officer: 320-847-7103 Title or position of Authorized Officer: Tressurer Printed name of Authorized Officer: Bruce Hanson

099168

Filing Due Date for this form: 10/15/2013

Page 13

OCT 24 2013

# FCC Mail Room

	Title or pos
me of Authorized Officer:	Printed na
of Authorized Officer:	Signature
leporting Carrier:	Name of R
urhorized Agent:	A to smaN
is authorized to superit)  Its ans an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the suthorized d, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	also certif
Certification of Officer to Authorize an Agent to File Annual Reports for CAF or Li Recipients on Behalf of Reporting Carrier	
OMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:	IO BE CO
Contact Email Address - Email Address of person identified in data line <030> maaberg@hc1net .net	<039>
Contact Telephone Number - Number of person identified in data line <030> 320-847-7109  Contact Email Address - Email Address of person identified in data line <030> masaberg@hcinet.net	
Contact Email Address - Email Address of person identified in data line <030> masaberg@hcinet.net	<660>
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Program Year  Contact Name - Person USAC should contact regarding this data line <030>  Contact Telephone Number of person identified in data line <030>  Contact Email Address - Email Address of person identified in data line <030>  masaberg@hcl.net.net	<660> <560> <020>
Study Area Name MT. RUSHMORE TEL. CO.  Contact Name - Person USAC should contact regarding this data line <030>  Contact Name - Person USAC should contact regarding this data line <030>  Contact Telephone Number - Number of person identified in data line <030>  Contact Email Address - Email Address of person identified in data line <030>  Maxk Asberg  maaberg@hcInet.net  maaberg@hcInet.net	<660> <560> <060> <000> <510> <010>

# TO BE COMPLETED BY THE AUTHORIZED AGENT:

Telephone number of Authorized Officer: Study Area Code of Reporting Carrier:

tions Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 1001.	hed by fine or forfeiture under the Communicat 18 of the United States Code, 18 U.S.C. §	Persons willfully making false statements on this form can be punisi
	Filling Due Date for this form:	Study Area Code of Reporting Carrier:
		Telephone number of Authorized Agent or Employee of Agent:
		Title or position of Authorized Agent or Employee of Agent
		Printed name of Authorized Agent or Employee of Agent:
Date:		Signature of Authorized Agent or Employee of Agent:
		Name of Authorized Agent or Employee of Agent:
		Name of Reporting Carrier:
ce support recipients on behalf of the reporting carrier; I have provided information reported herein is accurate.	bmit the annual reports for universal servi rier; and, to the best of my knowledge, th	b, as agent for the reporting carrier, certify that I am authorized to sul the data reported herein based on data provided by the reporting can
Ll Recipients on Behalf of Reporting Carrier	of File Annual Reports for CAF or I	Certification of Agent Authorized

rea Code of Reporting Carrier: Filing Due Date for this form:

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under the United States Code, 18 U.S.C. § 1001.

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Attachments

	Middle Point Telephone	300633	HITAGIC FOITH TETEPHONE
	Otto Oct		Middle Doint Tolophone
	D	300659	Telephone Service Company
	i	361515	Zumbrota Telephone
	Starbuck Telephone	361487	Starbuck Telephone
	Sacred Heart Telephone	361476	pacted neart rereptione
	TEN TE		androw Holyston
		361660	Clara City Telephone
gnation	Doing Business As Company or Brand Designation	SAC	Affiliates
	<832	· 32>	<813>
			<812> Operating Company Mt Rushmore Telephone
			<811> Holding Company Hanson Communications
			<810> Reporting Carrier Ft Randall Telephone
			Services Transport and Studies of Person Instituted III ADD.
		101 101	Contact Email Address - Email Address of person identified in data line 2000
			Contact Telephone Number - Number of person identified in data line <030>
			<030> Contact Name - Person USAC should contact regarding this data Mark Amberg
			<020> Program Year 2014
		EL. CO.	<015> Study Area Name MT. RUSHMORE TEL.
			<010> Study Area Code 391660
Wall Hoom			
B. Gardino Boot 0819	Westername Treatment		Data Gollection Form
	1777		(800) Operating Companies
DelDadom			

# Ft Randall Telephone

FCC Mail Room

# Certification of Compliance with Applicable Service Quality Standards and Consumer Protection Rules

## Service Quality Standards

# The Company:

- Provides voice grade access to the public switched network.
- Provides flat rated local exchange service with no additional charge to end users.
- Provides access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911.
- Provides toll blocking and toll limitation services.
- Advertises the availability of its services and the charges using media of general distribution and on its website.
- Maintains a business office providing customers with access to a customer service representative
  either in person or via a local telephone call or toll-free telephone number during normal business
  hours.
- Directs after hour calls to the Company's help desk.
- Directs trouble reports to the on-call technician.
- Tracks all service orders to ensure they are completed in a timely manner.
- Measures its service connection and service interruption performance on a regular basis.
- Trains employees to:
  - Answer all incoming calls promptly.
  - Respond to all inquiries for information promptly and courteously.
  - Investigate thoroughly all customer complaints and handle appropriately according to the Company's guidelines for resolution of customer complaints.
  - Be knowledgeable about products and service offerings so they can assist the customer with selecting the best service option.
- Has a process for periodic inspection, testing and preventive maintenance of its equipment to permit the rendering of safe, adequate and continuous service at all times.

## **Consumer Protection Rules**

The Company has established operating procedures designed to facilitate compliance with applicable consumer protection rules which include compliance with the Customer Proprietary Network Information (CPNI) rules. The operating procedures include:

- Appointment of a compliance officer.
- A manual detailing the specific procedures for protecting consumer information.
- Employee training on an annual basis.
- A disciplinary process for improper use of consumer information.

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# Ft Randall Telephone FCC Mail Room

# **Functionality in Emergency Situations**

# Back-Up Power

The Company has a reasonable amount of back-up power to ensure functionality without an external power source. Switch, Remote, and DLCs\_ all have minimum 8 hour battery backup. Switch and Remote have standby generators, and we have portable generators to provide power to DLC cabinets if needed.

# Rerouting of Traffic around Damaged Facilities

The Company is able to reroute traffic around damaged facilities. Our regulated inter-exchange and intra-exchange traffic is on a SONET ring with diverse routing to prevent being isolated by a fiber cut.

# Traffic Spikes

We have some unused switching capacity to handle sporadic traffic spikes resulting from emergency situations. We have 204 2-way trunks between Company and CenturyLink's Tandem for inter-exchange traffic. We have 9 T1s for incoming traffic from CenturyLink.

OCT 24 2013

# FCC Mail Room

# Ft Randall Telephone (dba as Mt Rushmore Telephone)

# Functionality in Emergency Situations

# Back-Up Power

The Company has a reasonable amount of back-up power to ensure functionality without an external power source. Switch, Remote, and DLCs all have minimum 8 hour battery backup. Switch and Remote have standby generators, and we have portable generators to provide power to DLC cabinets if needed.

# Rerouting of Traffic around Damaged Facilities

The Company is able to reroute traffic around damaged facilities. Our regulated inter-exchange and intra-exchange traffic is directly connected to Century Link within our central office.

# Traffic Spikes

We have some unused switching capacity to handle sporadic traffic spikes resulting from emergency situations. We have 120 2-way trunks between Company and CenturyLink's Tandem for inter-exchange traffic. We have 5 T1s for incoming traffic from CenturyLink.

# Fort Randall Telephone Company(DBA: Mt Rushmore Telephone Company)FCC Mail Room

# **Description of Tribal Engagement**

# For Form 481 Line 920 thru Line 929

Fort Randall Telephone Company had submitted an email on December 11, 2012 and followed up with a telephone call that same day, as a result of an email request by the Oglala Sioux Tribe for information concerning our telephone service to parts of the Pine Ridge Reservation dated September 16, 2012. During our conversation, the Utilities Commission indicated they would be in contact with us regarding any potential meeting once they have had an opportunity to review the information we provided. As of October 9, 2013, the Tribal Authority had not yet responded to the information we originally provided nor have they requested dates to allow for the scheduling of an "engagement" meeting.

In accord with provision in the FCC's USF and ICC Transformation Order, paragraphs 636 and 637, and 47 CFR 54.313(a)(9), at the meeting with the Tribal Authority, Fort Randall Telephone Company will, with tribal input, develop a needs assessment to assist with future service deployments on Tribal lands. In particular, Fort Randall Telephone Company and the Tribal Authority discussions relating to needs and service deployment will be focused on community anchor institutions. The feasibility and sustainability of communications services on tribal lands will be discussed and Fort Randall Telephone Company will with assistance with the Tribal Authority will attempt to identify additional steps that can be taken to make essential communications services deployed on Tribal lands both feasible and sustainable. Fort Randall Telephone Company and Tribal authority will also discuss and explore ways in which they can coordinate or partner to ensure that services are marketed on tribal lands in a manner that will relate to the community and resonate with consumers, with the aim of increasing service adoption. At such meeting, the Fort Randall Telephone Company will also be prepared to discuss the relevant rights-of-way and other permitting and review processes, as well as any challenges associated with these processes. And finally, Fort Randall Telephone Company will come to any such meeting prepared to discuss and engage the Tribal Authority on any relevant and applicable Tribal business and licensing requirements.

# Fort Randall Telephone Company

FCC Mail Room

# **Description of Tribal Engagement**

# For Form 481 Line 920 thru Line 929

Fort Randall Telephone Company had hand delivered on December 11, 2012 with a request to the Yankton Sioux Tribal Authority in Marty, South Dakota for a meeting to discuss the services we presently have in parts of treaty lands around the communities of Marty and Greenwood, South Dakota. The Yankton Sioux Tribal Authority was not sure who would be contacting us, but they would be in contact with us regarding any potential meeting. Although we have had several informal meeting to discuss project both completed and planned on these lands, as of October 9, 2013, the Yankton Sioux Tribal Authority had not yet responded to our request to meet nor have they requested dates to allow for the scheduling of an "engagement" meeting.

In accord with provision in the FCC's USF and ICC Transformation Order, paragraphs 636 and 637, and 47 CFR 54.313(a)(9), at the meeting with the Yankton Sioux Tribal Authority, Fort Randall Telephone Company will, with tribal input, develop a needs assessment to assist with future service deployments on Tribal lands. In particular, Fort Randall Telephone Company and the Tribal Authority discussions relating to needs and service deployment will be focused on community anchor institutions. The feasibility and sustainability of communications services on tribal lands will be discussed and Fort Randall Telephone Company will with assistance with the Yankton Sioux Tribal Authority will attempt to identify additional steps that can be taken to make essential communications services deployed on Tribal lands both feasible and sustainable. Fort Randall Telephone Company and Yankton Sioux Tribal Authority will also discuss and explore ways in which they can coordinate or partner to ensure that services are marketed on tribal lands in a manner that will relate to the community and resonate with consumers, with the aim of increasing service adoption. At such meeting, the Fort Randall Telephone Company will also be prepared to discuss the relevant rights-of-way and other permitting and review processes, as well as any challenges associated with these processes. And finally, Fort Randall Telephone Company will come to any such meeting prepared to discuss and engage the Yankton Sioux Tribal Authority on any relevant and applicable Tribal business and licensing requirements.

## Ft Randall Telephone [Company]

FCC Mail Room

### **Lifeline Terms and Conditions**

[Company] offers Lifeline program-supported service to qualified low-income residential consumers for one telephone line per eligible household. The Lifeline program provides discounts to eligible low-income consumers to help them establish and maintain telephone service. Lifeline assistance lowers the cost of basic, monthly local telephone service. Eligible consumers can receive \$9.25 per month in discounts. In addition, the Federal Universal Service Charge is not assessed to consumers participating in Lifeline. Toll Blocking prevents the placement of all long distance calls for which a subscriber would be charged. Toll blocking is available to eligible consumers at no cost. Also, by choosing this option, consumers are usually not charged a deposit.

## Lifeline Program Eligibility Information

# **Program Based Eligibility**

Consumers are eligible for Lifeline if they, one of their dependents or their household participate in one of the following qualifying assistance programs:

Low-Income Home Energy Assistance Program (LIHEAP) Federal Public Housing Assistance (Section 8) Supplemental Nutrition Assistance Program (SNAP) Medicaid National School Lunch Program's Free Lunch Program Supplemental Security Income (SSI) Temporary Assistance for Needy Families (TANF)

Lifeline applicants must present documentation demonstrating eligibility either through participation in one of the qualifying federal assistance programs or through income-based means.

Acceptable documentation of program-based eligibility includes: current or prior year's statement of benefits from a qualifying state, federal or Tribal program; notice letter of participation in a qualifying state, federal or Tribal program; program participation documents; or another official document evidencing the consumer's participation in a qualifying state, federal or Tribal program.

#### **Income Based Eligibility**

In addition, consumers are eligible for Lifeline if their household income is at or below 135% of the federal poverty guidelines.

2013 Federal Poverty Guidelines - 135%

Household Size	48 Contiguous	Alaska	H
	States and D.C.	i	ŀ

Household Size	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$15,512	\$19,373	\$17,861
2	\$20,939	\$26,163	\$24,098
3	\$26,366	\$32,954	\$30,335
4	\$31,793	\$39,744	\$36,572
5	\$37,220	\$46,535	\$42,809
6	\$42,647	\$53,325	\$49,046
7	\$48,074	\$60,116	\$55,283
8	\$53,501	\$66,906	\$61,520
For each additional person, add	\$5,427	\$6,791	\$6,237

OCT 24 2013

Acceptable documentation of income eligibility includes: prior year's state, federal or Tribal tax return: current income statement from an employer or paycheck stub; social security statement of benefits; Veterans Administration statement of benefits; retirement/pension statement of benefits; unemployment/workmen's compensation statement of benefits; federal or Tribal notice of letter participating in General Assistance; or a divorce decree or child support award or other official document containing income information.

## **Tribal Eligibility**

A subscriber who lives on Tribal lands and is an eligible resident of Tribal lands is eligible for Tribal Lifeline service or Tribal Link Up if the subscriber, one or more of the subscriber's dependents, or the subscriber's household participates in any of the above-listed qualifying assistance programs or one of the following Tribal-specific federal assistance programs: Bureau of Indian Affairs General Assistance; Tribally Administered Temporary Assistance for Needy Families; Head Start (if income eligibility criteria are met); or the Food Distribution Program on Indian Reservations (FDPIR). Tribal subscribers may also qualify if the household income is at or below 135% of the Federal Poverty Guidelines.

# Numbers of Minutes-of-Use Provided as Part of Lifeline Program Service

[Company's] Voice Lifeline service includes unlimited local minutes-of-use within the toll-free calling area. [Company's] Voice Lifeline Plan does not include any free minutes-of-use for toll. Toll is billed at the standard toll rate depending on which interexchange carrier the consumer subscribes to for toll service. As part of the Lifeline service, Toll blocking is available to eligible consumers at no cost.

## Rates

Subscribers may receive the Lifeline credit on any type or grade of local service, including bundled services that are normally offered by [Company]. Advertised rates do not include any applicable taxes or surcharges.

#### Recertification of Lifeline Eligibility

Lifeline recipients are required to recertify their eligibility annually. Failure to properly recertify a recipient's continued eligibility for the Lifeline program will result in termination of the Lifeline recipient's monthly Lifeline discount and de-enrollment from the Lifeline Program.

# **Additional Lifeline Program Information**

The Lifeline program is limited to one benefit per household, consisting of either wireline or wireless service. A household is defined, for purposes of the Lifeline program, as an individual or group of individuals who live together at the same address and share income and expenses. Lifeline is a government benefit program, and consumers who willfully make false statements in order to obtain the benefit can be punished by fine or imprisonment or can be barred from the program.

Certified Public Accountants & Consultants

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OCT 24 2013

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# HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

# CONSOLIDATED FINANCIAL STATEMENTS Together with INDEPENDENT AUDITORS' REPORT

**DECEMBER 31, 2012** 

#### **REDACTED - FOR PUBLIC INSPECTION**

# OLSEN THIELEN & CO., LTD. Certified Public Accountants & Consultants

Received & Inspected

OCT 24 2013

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### INDEPENDENT AUDITORS' REPORT

Board of Directors Hanson Communications, Inc. Willmar, Minnesota

We have audited the accompanying consolidated financial statements of Hanson Communications, Inc. and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2012 and 2011, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

# Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

# Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hanson Communications, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

St. Paul, Minnesota April 1, 2013 Olsen thielen + Co., LTd

# HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

OCT 24 2013

# CONSOLIDATED BALANCE SHEET DECEMBER 31, 2012 AND 2011

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ASSETS		
CURRENT ASSETS:	2012	2011
Cash and Cash Equivalents  Due from Customers, Less Allowance for  Uncollectibles of \$ and and the Collection of the Col	\$	
Uncollectibles of same and same Income Tax Receivable Materials and Supplies Prepaid Expenses Total Current Assets		
INVESTMENTS AND OTHER ASSETS: Intangible Assets, Net Other Investments Other Total Investments and Other Assets		
PROPERTY, PLANT AND EQUIPMENT: Telecommunications Plant in Service Plant Under Construction Other Property and Equipment Total Less Accumulated Depreciation Net Property, Plant and Equipment		
TOTAL ASSETS	<u>\$</u>	

# **REDACTED - FOR PUBLIC INSPECTION**

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# LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	2012	2011
CURRENT LIABILITIES: Current Portion of Long-Term Debt	\$	
Accounts Payable	*	
Payable to Affiliates		
Accrued Taxes		
Other Accrued Liabilities		
Advance Billings		
Total Current Liabilities		-
OTHER LIABILITIES:		
Long-Term Debt		
Other Liabilities		
Total Other Liabilities		
STOCKHOLDERS' EQUITY:		
Controlling Interest:		
Common Stock - No Par Value, Shares Class A (Voting)		
Authorized; Class B (Nonvoting) Authorized;		
Shares Class A Issued and Outstanding;		
Shares Class B Issued and Outstanding		
Paid-in Capital		
Retained Earnings		
Total Controlling Interest  Noncontrolling Interest	į į	ļ
<del>_</del>	<del></del>	
Total Stockholders' Equity		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	

# HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

OCT 24 2013

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# CONSOLIDATED STATEMENT OF INCOME YEARS ENDED DECEMBER 31, 2012 AND 2011

OPERATING REVENUES:	2012	2011
Local Network		
Network Access	\$	
Billing and Collection		
Nonregulated Telecommunications		
Cable Television		
Miscellaneous, Net		
Total Operating Revenues	<u></u>	•
	•	
OPERATING EXPENSES:		
Plant Specific		
Depreciation and Amortization		
Plant Support	•	
Customer		
Corporate Nonrogulated Talescone is dis		
Nonregulated Telecommunications  Cable Television		
Miscellaneous		
Taxes		
Total Operating Expenses		
Total Operating Expenses	<u> </u>	
OPERATING INCOME		
		<del></del>
OTHER INCOME (EXPENSE):		
Loss on Sale of Property, Plant and Equipment		•
Investment Income		
Interest Expense		
Income Tax Expense		
Net Other Income (Expense)		
NET INCOME		
THE THOO WIL		
NET LOSS ATTRIBUTABLE TO		
NONCONTROLLING INTEREST		
		<u> </u>
NET INCOME ATTRIBUTABLE TO HANSON		
COMMUNICATIONS, INC.	\$	

# **REDACTED - FOR PUBLIC INSPECTION**

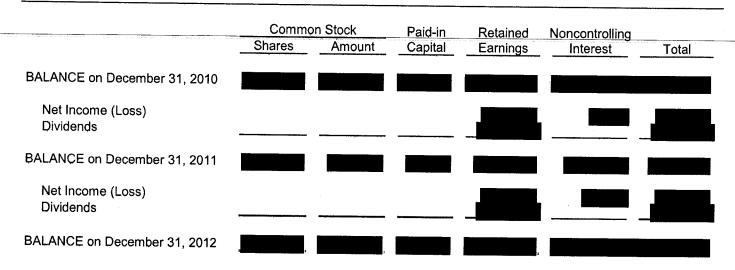
# HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

Received & Inspected

OCT 24 2013

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# CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2012 AND 2011



Received & Inspected

# HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES OCT 24 2013

# **CONSOLIDATED STATEMENT OF CASH FLOWS** YEARS ENDED DECEMBER 31, 2012 AND 2011

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	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:  Net Income  Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:  Depreciation and Amortization Loss from Partnership Investments Distributions from LLC Investments Loss on Sale of Property, Plant and Equipment CoBank Patronage Refund Changes in Assets and Liabilities:  Due from Customers Other Accounts Receivable Income Tax Receivable Prepaid Expenses Accounts Payable Accrued Taxes Other Accrued Liabilities Advance Billings Net Cash Provided By Operating Activities	\$	
CASH FLOWS FROM INVESTING ACTIVITIES: Purchases of Property, Plant and Equipment Salvage, Net of Cost of Plant Removal Purchases of Intangibles Proceeds from Sale of Property, Plant and Equipment (Increase) Decrease in Materials and Supplies Net Change in Receivable from and Payable to Affiliates Sale (Purchase) of Investments Other Net Cash Used In Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES: Principal Payments of Long-Term Debt Payments on Other Liabilities Dividends Net Cash Used In Financing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS at Beginning of Year		
CASH AND CASH EQUIVALENTS at End of Year	\$	
SUPPLEMENTAL CASH FLOW INFORMATION - NONCASH INVESTING AND FINANCING TRANSACTION: Increase in Other Accrued Liabilities, Other Liabilities and Long-Term Debt for Property, Plant and Equipment	<b>\$</b> .	

The accompanying notes are an integral part of the consolidated financial statements.

OCT 2 4 2013

# HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES FCC Mail Room NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

# **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

# **Nature of Operations**

The Company's principal line of business is providing local telephone service, internet, cable television service and access to long distance telephone service through its local exchange network. The revenues reported on the statement of income reflect the relative importance of each type of service. The principal market for these telecommunications services are local residential and business customers residing in each of the exchanges the Company serves in Minnesota, Ohio, South Dakota and Nebraska.

# **Basis of Accounting**

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America including certain accounting practices prescribed by the Federal Communications Commission (FCC) and the state regulatory commissions in Minnesota, Ohio and South Dakota.

# **Accounting Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Subsequent Events**

In preparing these financial statements, the Company has evaluated for recognition or disclosure the events or transactions that occurred through April 1, 2013, the date the financial statements were available to be issued.

#### Consolidation

The consolidated financial statements include the parent company, Hanson Communications, Inc. and its subsidiaries. All subsidiaries are wholly-owned except Dave, Bruce & S, LLC, which is owned. All significant intercompany accounts and transactions have been eliminated in the consolidation.

## **Cash Equivalents**

The Company considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

#### Receivables

Receivables are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through charges to earnings and credits to valuation allowances based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through charges to the valuation allowances and credits to the receivable accounts. Changes in the valuation allowances have not been material to the financial statements.

OCT 24 2013

# HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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# NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

# **Materials and Supplies**

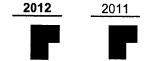
Materials and supplies are recorded at average cost.

# **Property and Depreciation**

Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. If telecommunication plant is sold, retired or otherwise disposed of in the ordinary course of business, the cost plus removal costs less salvage is charged to accumulated depreciation, while the original cost is credited to the asset accounts. Any gains or losses on non-telecommunications property and equipment retirements are reflected in the current year operations.

Depreciation is computed using the straight-line method based on estimated useful lives of five to forty years. Depreciation expense was \$ in 2012 and in 2011. Depreciation is computed using the straight-line method over the estimated useful lives of five to forty years. Composite depreciation rates are:

Telecommunications Plant
Other Property and Equipment



#### Other Investments

The equity method is used for partnership interests of greater than ... Under the equity method, the Company's investment reflects the original cost and recognition of the Company's share of undistributed earnings or losses of the entity. Other long-term investments are accounted for under the cost method of accounting. This method requires the Company to periodically evaluate whether non-temporary decreases in values of the investments have occurred, and if so, to write the investments down to net realizable values. As the Company is exempt from disclosing estimated fair values, the Company does not estimate fair values for cost method investments if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair values.

# Intangible Assets

Intangible assets consist of customer lists and goodwill. Intangible assets with a determinable life are amortized over the useful life. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired. As an asset with an indefinite life, goodwill is not amortized, but it is tested for impairment at least annually. In its tests, the Company has determined that the goodwill is not impaired at December 31, 2012 and 2011.

OCT 24 2013

# HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

# Revenue Recognition

Revenues are recognized when earned. Interstate access revenues are based on average schedule and cost based settlements with the National Exchange Carrier Association, and universal service funds. Local network and intrastate access revenues are based on tariffs filed with the state regulatory commissions, except Fort Randall Telephone Company's intrastate access revenues are based on cost based settlements filed with the Local Exchange Carrier Association with the South Dakota Public Service Commission. Access revenues based on actual costs are estimated pending completion of final cost studies.

# **Advanced Billings**

Revenues from subscribers billed in advance are recognized when earned.

#### **Retirement Plan**

The Company has a defined contribution profit sharing plan and contributed in 2012 and in 2011 of qualified salaries to the plan. Plan expense was \$ 1000 and \$ 1000 in 2012 and 2011.

#### **Presentation of Taxes Collected From Customers**

Sales, excise, and other taxes are imposed on most of the Company's sales to nonexempt customers. The Company collects the taxes from customers and remits the entire amounts to the governmental authorities. The Company's accounting policy is to exclude the taxes collected and remitted from revenues and expenses.

#### **Income Taxes**

The Company has elected to have its income taxed to the shareholders under Subchapter S of the Internal Revenue Code. Therefore, the statements do not include a provision for income taxes other than the state minimum fee expense and built-in gains tax. Income tax refunds, net of payments, were in 2012 and income tax payments were in 2011.

The Company reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is not subject to income taxes as a pass-through entity. The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Company has identified no significant income tax uncertainties.

The Company's federal and state income tax returns are open to tax examination for tax years 2009 through 2011.

# HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

OCT 2 4 2013

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## **NOTE 2 - OTHER INVESTMENTS**

Other investments consist of the following:

	2012					
	Percent	Cumulative				
Company	of Ownership	Cost	Income (Loss)	Distribu- tions	Total	2011 Total
Equity Method: KTC AWS Limited Partnership Midwest AWS Limited Partnership				1		
Cost Method: CoBank Stock Horizon Telcom, Inc. Other						
Total		\$				

Subsequent to year end, Midwest AWS Limited Partnership sold their spectrum licenses.

#### **NOTE 3 - INTANGIBLE ASSETS**

The Company has recorded goodwill as a result of acquiring the Telephone Service Company, Zumbrota Telephone Company, Fort Randall Telephone Company, Clara City Telephone Company, and several CATV exchanges which were added to Fort Randall Cable Systems. The purchase price of these acquisitions was allocated among the acquired assets, goodwill, non-compete agreements, and customer lists. Customer lists are being amortized over ten years.

Goodwill is reviewed for impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the carrying amount is greater than its fair value. In estimating fair values the Company used multiples based on a combination of market value and the present value of expected future cash inflows. The Company has determined that the goodwill as of December 31, 2012 and 2011 is not impaired.

The components of the Company's identified intangible assets are as follows:

	2012					
	Cost	Accumulated Amortization	Impairment	Net Balance		
Unamortized Intangibles:						
Goodwill	\$					
Amortized Intangibles:						
Non-Compete						
Customer Lists						
Totals	\$			1		